

The Spirit of U'Hills

17 April 2009



PROGRAMS AND ACTIVITIES

- Apr. 24 ...Ride for World Health
- May 1-3 ..District 5450 Conference..... Antlers Hilton Hotel, Colorado Springs, CO.
- May 15....Zoo Day at the Denver Zoo
- May 22....Adrienne Evenson Subj: The Senior Housing Business (Hyatt Regency)
- June 4U'Hills Golf Tournament..... Inverness
- June 5Dark at Glenmoor
- June 19 ..Rotation Day

GREETERS



Bob Newton, Mike Hitchcock, Tom Murphy

And, the photographer asked them to look pleasant. And, strange as it may seem, they all complied — **Bob Newton, Mike Hitchcock, and Tom Murphy**—at the same time. Result is a picture worth framing and hanging on someone's wall.

INSPIRATIONAL MESSAGE AND PLEDGE



Jay Shoemaker

Jay introduced himself as a member of the largest, biggest, baddest, rookie classes, red badge of courage class of 2008-2009.

“My inspiration today is from Theodore Roosevelt. It’s a quote from Ted that was given to my Dad. He ran for mayor in 1978 but didn’t succeed in that endeavor. One of the better quotes from Teddy Roosevelt, that is somewhat Rotarian in nature, ...service above self ... that kind of

thing. ‘Nobody cares how much you know until they know how much you care.’ But, after my Dad lost his bid for mayor, this was given to him by Dottie and Bob Warman (sp?). They’re both politicians themselves and this is one of Teddy

Roosevelt’s finest, I think:

It is not the critic who counts; not the man who points out how the strong man stumbled, or where the doer of the deed could have done better.

The credit belongs to the man who is actually in the arena; who face is marred by dust, sweat, and blood; who strives valiantly; who errs and comes short again and again...because there is no effort without error and shortcoming.

It is the man who does actually strive to do the deeds; who knows the great enthusiasm; the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement...and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who know neither victory or defeat.

—Theodore Roosevelt

“Teddy was quite a guy and even for today, he had some appropriate quotes. Ted once said, “When they call the roll in the Senate, the Senators do not know whether to answer ‘Present’ or ‘Not Guilty.’ Also, he had this one, ‘If you could kick the person in the pants who is responsible for most of your troubles, you wouldn’t sit for a month.’”

“Thank you for standing. Put your hands on you hearts and join me in the pledge of allegiance to the flag: *I pledge allegiance to the flag of the United States of America...*”

INTRODUCTIONS AND ANNOUNCEMENTS

President Mike thanked our Greeters for today, **Bob Newton** and **Tom Murphy**, the same people you met in column one. [Applause].

Mike also thanked **Lowell Palmquist** for taking the lead on our Four Way Test project with West Middle School.

He also recognized **Doug Dixon** for his help organizing our support for the 9 Health Fair volunteer effort. Not to be forgotten was **Jeff Duer**, who is coordinating our School Wellness effort at Cherry Creek. **Phil Beaver** and I enjoyed our day with the kids testing at the Cottonwood Creek School. They’re all good community projects.

Tom Murphy announced the next interviews at West Middle School, Holly and Belleview, for next Friday. “We will need about three or four volunteers to help. See **Ruth Wilson**. I’ll keep in touch with this effort by those involved. It’s next Friday, 24 April 2009.”

Dorotha Cicchinelli called our attention to the flyers she placed on our tables... “You Are Invited” to a *Meet the Author* Event. She is **Julie Pech**, the Chocolate Therapist. “I thought



it was appropriate in these economic times. We all need a little chocolate. She has been on "Oprah", the "Today" show, other ABC and NBC productions. She has graciously donated her talk (she will be selling her books there) to our organization *Colorado Pregnancy and Newborn Loss*. Our service is so needed. In Colorado, over 65,000 pregnancies occur every year. Of that number, 16,000, 25%, end in miscarriage, still birth, or newborn death. This is an area that has been under-recognized and needs to come to the forefront. Like Sudden Infant Death (SIDS), about 30 years ago, with the efforts of community support and research, we have been able to decrease SIDS deaths by about 50%.

"There are organizations now in existence that will be a great help in bringing pregnancy losses under control. In the 28 years I've been in this field, I'm finally seeing some research coming along in this area. But, there is still a lot of people who have had losses; some very full term, healthy looking babies for no known reason, are born still. Events such as this one help the support groups for education, counseling. We feel like we're healing parents into healthy pregnancies. I really encourage you to come to this event. It will help us a great deal and it will be a lot of fun. It's at the Tivoli Center. Hope to see you there on Friday, May 15, 6:00 PM."

Stan Love thanked us for the books we brought today. "You've filled the trunk of my car, totally, the back seat and the front passenger seat. Thank you very much."

We had a couple of visiting Rotarians today. First was **Richard Byrne**. "I was a member of U'Hills Rotary Club much earlier. **Jack Ashton** was my sponsor and **Cliff Dochterman** was the club president the first year of my membership. Since then I've moved to Salt Lake City, right after Delta Airlines bought Western Air Lines. Now, I'm a member of the Sugarhouse Rotary Club in Salt Lake City. We like to say it's the sweetest Rotary Club in the U.S. We just put on our golf fundraiser. We call it the Chili Open. We play golf in the snow and there is a dinner, a silent auction, and eight charities. We were able to distribute \$275,000 to these eight charities. I'm happy to be here, there are a lot of familiar faces and I have very fond memories of the Rotary Club at University Hills."

The other visiting Rotarian was **Fred Chapin**. "I am the Secretary of the Winter Park Fraser Valley Rotary Club. I was the founding president of the club and have checked off every box since 1987." Welcome Fred. **Jay Carpenter** informed us that **Fred Chapin** is one of the guys that has helped the U'Hills Rotary Club meet their budget every year because, being from Winter Park, he comes up with extra ski tow tickets for our skiers on the ski train.

Staci Giovino rose, introduced her guest for today: **Carol Walling**. "She's not the same beautiful, dark haired woman I had here a few weeks ago, she's yet another. She is an educator. She also creates and sponsors and hosts after school programs for primary aged children."

Tom Benson announced that he had **Mary** with him today. And, sure enough, she rose, smiled, nodded her head and it was really Mary.

INDUCTION OF NEW MEMBERS

Two new members were inducted into our club today: **Dr. Peter Hou** and **Joan Schneider**. Before proceeding with the induction ceremony, **Jeff Duer** read a few facts about Dr. Hou provided by his sponsor **Frank Chao**. "Dr. Hou has more than 40 years experience in integrating traditional Chinese medicine, acupuncture and western medicine. He has practiced, taught, and researched in many different countries including the U.S., Europe, China, and Africa. Dr. Hou founded the East-West Medical Institute in 1995 in Hawaii. He then moved to Colorado. He has three centers including a teaching center, a research center, and a treatment center. His specialties include cancer and psychological problems. The National Institute of Health has invited him to present his findings at international conferences and regularly consult with him."

"Now, **Joannie Schneider** and her sponsor **Rich Sattizahn** please come forward. **Roberta Greengard** is also Joannie's co-sponsor." Jeff then introduced **Dr. Hou** and **Joannie Schneider** as new members of our club. Following a summary, by members of the membership committee, of the history of Rotary and its present organization, size, and spread throughout the world, **Dr. Hou** and **Joan Schneider** were presented with their red badges, certificates, and flowers to symbolize the growth of Rotary and their growth in the U'Hills Rotary Club. **Jerry Regan** then lined up the entire class of RY 2009 (alpha sequence):

- **Philip Beaver**
- **Frank Chao**
- **Andrew Dodgen**
- **Staci Giovino**
- **Mel Grusing**
- **Mike Haviland**
- **Peter Hou**
- **Joannie Schneider**
- **Jay Shoemaker**
- **Ruth Wilson**

A total of 10 new SOBs (Souls on Board) in RY2009. [Applause was loud, long, and sincere. Ever hear of sincere applause? We had it.]

SERGEANT AT ARMS

President Mike then called on **Jeff Coldwell** for a short joke. Jeff said that would be joke number 7. "But first, a few words about our fund raising event for the balance of 2009, our Golf Tournament." He then showed us what we all should have worn today...the jacket, modeled by **Steve Whisenhunt**, that will be the gift for anyone who contributes for a sponsorship for the Tournament.

"We would like to acknowl-



Jeff Stotler



edge a couple of people: **John French** and **Bill Rector** are the most recent hole sponsors. **Ruth Wilson** and **Helen Hempel** have Barney Smith Gold sponsorships. **Bill Collier** had a donation also. Looking outside, it's not the type of weather we expect for golf but **Stan Love** has guaranteed 76.5 on the first tee. 'Degrees?' Degrees." "Of course" said **Stan**. End of temperature confirmation ceremony.

OK. Short story. "One of our members, George, had an experience the last time he was in Wal-Mart. He was picking up some dog food for the Great Dane he has at home. And, he was in the checkout line and you know how people can ask some stupid questions when given the opportunity, like in a checkout line. The lady behind him said 'Oh. Is that for your dog?' George, having nothing better to do said, 'No. It's for me. I'm thinking about going back on a Purina diet. The first time it ended with me in the hospital.' The lady said, 'Gee, I've never heard of that diet. What is it?' He said, 'Well, you take some Purina dog chow and put it in your pocket. If you get a little hungry, you just take some of the dog chow out of your pocket and eat it. Keeps the appetite under control and its very nutritious. Lady said, 'Wow. Is that what put you in the hospital? Didn't get enough or something?' He said 'No. One day I was on a street corner and bent down to sniff this little dog's caboose and a car came along and hit both of us. Killed the dog, put me in the hospital.' Woman fainted." End of Joke 7.

Jerry Regan announced our two deans for the 2009 member matriculation year, **Mel Grusing** and **Jay Shoemaker**. "They're the deans for the U'Hills Class of 2009. Everything that a real dean does, they will do for the 2009 U'Hills Class. They are going to help you guys stay together, drink cocktails, dance, socialize, do whatever. Everything that a class does." (A side comment from an acute observer, "Sounds more like a frat subject.")

Bill Rector announced that "Last Saturday, the Hobson Committee met and awarded the **George Ensign** scholarship to a young man named **Dave Schulv**, who is the student body president of Evergreen High School, an extremely impressive young man. You'll be meeting him as he starts coming to the club, probably for the first time in summer."

Dorotha Cicchinelli had a couple of names to add to her list of those who are helping her in her upcoming "Meet the Author" event...**Joannie Schneider** and a longer term U'Hills member **Marvin Hersh**. **Marvin** rose to explain why "An old man like me is involved in helping somebody who feels that newborns may need some help. It isn't just the family, the parents, the daughter. It's also the grandfather. I watched my grandchild die. I watched him on the ultrasound. My daughter was there and I watched the heart slowly stop. She didn't know for another half hour, but I knew. And Dorotha is the angel who helps these people. I hope that we can all help her."

Dave McKinley had a status report on the end of the active ski season. "Dick Rewey and Shoe and I skied for the last time at Mary Jane this year because it's going to close on Sunday. Fred couldn't go, neither could Jay. On the way to Rotary today, I got a call from Barry Dawson who is in San Diego. He was telling me it was 72° and he's watching the ocean and he can also see the TV that's on a news report showing the snow in Denver."

Jay Carpender had his birthday report. "I just wanted to

talk about four birthdays that are currently in my life. On 14 February, my middle nephew and his wife had their baby on Valentine's Day. A couple of days later, (name muffled) had her 25th birthday, some of you know who she is to me. Tonight, I'm going to a 60th birthday party for my best friend from high school. And last week I attended my father-in-law's birthday party. The evolutions of life, I'm right in the middle."

EARL WRIGHT CEO AMG NATIONAL TRUST BANK



Earl Wright

Todd Laurie introduced our speaker today: **Earl Wright**. Todd confessed "What a pleasure it is to work for a fellow Rotarian. The gentleman I'm introducing today, **Earl Wright**, is Chair of the Board and CEO of AMG National Trust Bank. He was co-founder of the Asset Management Group and has led the company to become what we feel is a very strong institution today. He's also a Rotarian and is active with the Denver Rotary

Club and has some very important information for us today." Earl began his presentation with the observation that "We happen to be at a very interesting time in U.S. economic history. We are now in the worst recession we've been in since WWII. Some people say that the '83 period was worse than this and if you take the Misery Index (MI) for that period **, the Misery Index was a lot worse then than it is today. We don't have the inflation (10.4%) or unemployment (9.7%) that existed during the Reagan era. What I wanted to talk to you about today is the current financial crisis that we're in.

"Let's start with where we are today so that we'll have a common basis for understanding our current situation. We have 8.5% unemployment. We think it's going to go to 10% by 2010. We have, this fiscal year, a \$1.8 trillion federal deficit, greater than 13% of GDP. To put that in perspective, I have a good friend who is Board Chairman of a Swiss bank and he takes pleasure in telling me that we're no longer qualified to be a member of the European Union. The reason is that you must have a deficit of 3% of GDP or less to be a member of EU. We have 13%.

"TARP has been an absolute Godsend with regards to helping us get through what I consider to be one of the most difficult financial crises since the Great Depression. We may have started with the idea that TARP was going to reduce all of the bad debt that was on the banks' balance sheet. But, there wasn't enough money in TARP to do that. Very quickly, the Europeans pointed out that it's as simple as this: if you only have \$700 billion, the best way to use it is to save the banks. \$700 billion was not enough to buy all the toxic assets. But, we could save the banks if we put the money into

** Misery Index (MI) = Inflation Index + Unemployment Index. MI was a high of 19.3% during the Reagan Administration compared to a high of 9.6% during the Bush (43) Administration and 8.1% as of March 2009.



the capital structure. One dollar in capital for a bank equates to \$8 to \$10 in loans. So, by using that money to help shore up the top 20 banks, we have re-established soundness in the international financial markets which, unfortunately, was becoming unraveled until TARP was passed.

"The international financial credit markets in October and November 2008 were at the precipice and were ready to crumble over the side. There were times in October-November 2008 when we as a firm were looking at the price of credit derivative swaps in the settling of those accounts when we were very concerned as to what was going to happen after 2:30 in the afternoon. That's how close, how dangerous the financial situation was in the world.

"13.2 million Americans are now unemployed; a huge number. The interesting thing about that number is the qualification of the people who are unemployed. Typically, they're not high school graduates, they're not college graduates. The unemployment rate for non-college graduates is in the teens. Those with college educations have an employment rate of about 4%. So, you have a validation of the statement that education pays off. The folks who are not skilled are the bulk of those unemployed at the present time.

"\$40 trillion has been lost in the public markets and the real estate markets of the world in this crisis. To put that in perspective, that's three times the U. S. GDP of \$14 trillion. Of the \$40 trillion lost, \$35 trillion is in public stock and \$5 trillion is in real estate. Worldwide, we've lost more than 50% of the value of public stocks. And, the 'baby boomers'... they have lost \$5.4 trillion in investment assets and home value. What does that mean? In effect, it means that 15% of the income they were counting on got lost. For them to recover that, it will take 17 years at a 2.5% savings rate.

"To a large extent, and this is what I'm trying to get at in this presentation today, a lot of what happened here is unintended consequences. That's something we must think about today as we try to resolve this issue. Here is the path of those unintended consequences.

"The Community Reinvestment Act is an act, passed in 1977, to encourage commercial banks to make real estate loans to all segments in their communities including low to medium income neighborhoods. The lending institutions were tasked to make allowances for all segments of the community. It was viewed as an idea whose time had come...to take discrimination out of the good idea of owning your own home.

"Later, there was legislation that tried to answer the question of 'Gee whiz. Doesn't it make sense that more people, even if they're low income folks, want to own their own house?' So, there was legislation in the 1990s to make this a goal in loaning money for homes.

"Then, someone noticed that people in China, other parts of SE Asia, saved 30-40% of their income. So, the people in international finance saw these funds that could be used to finance mortgage loans. Then Wall Street came in, saw this as an opportunity to grow the number of mortgages...we can take that money at 2-4%, bundle them together for long term debt, corporate as well as private real estate.

"The practice grew, based on the assumption that the price of real estate can only go one way, up. The result was that, by 2006, Alt-A and subprime loans were making their way into the financial system as bundled investments. The mortgage information in applications became less and less restrictive and grew into a new classification, Alt-A and subprime loans.

"Alt-A and subprime loans were bundled together to diversify the overall bundle. If you bundle enough of them together, maybe 80% will make their loan payments, maybe more, and the bundle will still be worth more than it cost. By the way, 20% of all the financing in 2006 and 2007 was either Alt-A or subprime. Those were huge years. People were buying houses with the idea that through the magic of rising prices, a dollar invested in a house would eventually be worth \$1.50, or more.

"Then, in 2007, the wheels started coming off the financial market. These bundles of subprime mortgages, bundled together, had made their way into investment portfolios worldwide, into large international banks. Then, some started looking at these investments (after the default rate in individual mortgages became noticeable), asked 'What are they worth? In fact, we can't even sell these things. In fact, we're not so certain that, in light of the accounting rules, we can even put a value on them. Can't value them? Write 'em off'. And that's when the wheels really came off the financial vehicle and companies went into bankruptcy.

"The foreign banks came back, said, 'You've got to help us U. S. Government. These are your products.' And, we found out we couldn't. Merrill Lynch is taken over by Bank of America, Bear Stearns is taken over by JPMorganChase. Who is going to step in and take care of Lehman Brothers? Barclay was thinking about it, but couldn't. So, one weekend they declared bankruptcy. And the wheels were off the financial markets, big time. AIG? Even worse.

"What we have now is an incredibly overleveraged society. Every person in the United States, on average, has \$46,115 of debt, \$184,460 for a family of four. By the way, the GDP, per capita, is \$48,000. People leaving college have over \$20,000 of debt. People buying cars finance them at 101% of the value of the car. No wonder we have 15 million cars being produced by Detroit. Since 1957, the financial sector debt has grown 25 times faster than the economy. Result? You can borrow for something that you had to save for before. You can borrow for a car you could never afford before. Now, we have financial instruments that allow us to have a standard of living that was never seen before in the history of mankind.

"And the folks that help us with regards to loans, and help us with regards to working capital lines, and help us to have the funds available to run our companies are the banks. The banks, according to a Greenspan speech on 16 February, have bank losses of \$450-500 billion, yet to be written off. Now if you take \$1.00 capital and you get \$10.00 of loans, that is suggesting to you that there is \$2.5 trillion of additional loans that could be made with this additional capital.

\$40 trillion has been lost in the public markets and the real estate markets of the world in this crisis. To put that in perspective, that's three times the U. S. GDP of \$14 trillion.



“But, we are capital short in our banking system. ‘How can that be?’ you may say. TARP just took care of 20 of the largest banks in the U. S. Right? There are 8,104 FDIC banks. That leaves 8,084 banks where there must be something else going on. And, we have \$400 to \$500 billion of commercial real estate that has to be refinanced in the next 24 to 36 months. That’s a lot of money to be refinanced. Who does it in the U. S to a large extent? It’s the regional and community banks. We have a very interesting period ahead of us in the next 24 to 36 months.

“The answer, as far as we’re concerned, in saving the banking system, is that TARP has done a huge job in solving this. I mentioned 20 banks have been taken care of. There is more capital that will be added to the local banks. There are 500 to 550 banks that now have TARP funds or have been promised TARP funds. We now have the ability to do international trading with the largest 20 banks that in October and November were questionable. And, international trading is working and working well for us, whereas we had real problems about six months ago.

“There are some unusual parts of TARP. Who thought that AIG would get the money it had needed from TARP. And, they responded...\$70 billion... whether you like it or not. Whether you like what they did or not, the point is that the government stepped in and did what was necessary to save the financial markets and credit derivative swaps and everything associated with that. It was a HUGE issue that they resolved. Citicorp was a surprise to many of us. Now, 36% is owned by the U. S. Government.

“OK. TARP II. Well, what’s TARP II going to be? A lot of people don’t realize that the President’s 2010 fiscal budget has \$250 billion in it for TARP II. That is there to help small banks and prevent their failures. They’re going to use it, aggressively. It will allow them to do a lot in taking care of their refinancing of commercial real estate.

“TARP, TARP II, now we have another one: Obama’s stimulus package. It has had a very positive impact on the economy. If we hadn’t had the stimulus package, you would see the economy in far worse shape now than it actually is; 2010 would not be a positive year for GDP, it would be a negative year. The stimulus package was a necessary part of getting part of this financial crisis resolved, particularly in the next 18 months. It has extended unemployment benefits, it’s helped extend the health care benefits of the unemployed, it will add 2 to 3 million new jobs, it will cost about \$100 to 125 billion to do that.

“**Middle income taxes?** \$300 billion. The way they have it set up, those monies will be spent. \$48 per paycheck. I don’t think people will use that to pay bills. They probably won’t even realize they have it. They’ll spend it one way or another.

“**Aid to States?** I must tell you that Colorado and every state out there is in deep trouble in this area of having enough money for Medicare, Medicaid and all the matching programs out of Washington. This will allow them to keep their Medicaid and all their matching programs intact. Without it, we couldn’t do it and a lot of our lower income folks would be hurt rather severely.

GDP outlook for the next five years “The Obama administration has suggested that they see us having a negative

1.2% GDP growth this year. The Congressional Budget Office feels we will have a negative 2.2% for the year.

Source	2008	2009	2010	2011	2012
Government Budgets	1.3%	-1.2%	3.2%	4.0%	4.6%
Forecast Deficit (5.0T Total)	\$0.5T	\$1.8T	\$1.2T	\$0.9T	\$0.6T
Congressional Budget Office (CBO)	1.2%	-2.2%	1.5%	4.2%	4.4%
AMG's Protracted Recession.	1.3%	-3.25%	0.5%	2.75%	2.5%

AMG thinks it’s going to be closer to a negative 3.25%. The President and his economic advisers assume we will get up to a 4.6% growth in GDP by 2012. We think the best you’re going to see is 2.5%. The CBO thinks we’ll see 4.4% by 2012.

“What I’d like to talk about for just a few minutes is the forecasted deficit during the five year period. If you sum up the President’s forecast of deficit, it’s \$5 trillion over the five years. Where is it going to come from?

“The positive part of the stimulus package is that for the next few quarters, every dollar the government spends is creating \$2.50 of benefits. (CBO letter of 2 March 2009). But, the long run impact is slightly negative. Once you get beyond 2010, the stimulus package will have a negative impact on the economy. The multiplier, according to the CBO, is negative. It’s not a one for one benefit. About \$0.33 is lost to private enterprise for every \$1.00 spent by the government. Now, when there is a \$2.50 benefit for every \$1.00 spent, I don’t have an argument with that. But, when a dollar is spent that doesn’t create a dollar of benefit, when it’s taking \$0.33 away from private domestic capital, that means that your businesses don’t have the money. That means the bankers you go to for working capital don’t have the money. That means that the folks who are trying to build something with regard to business and free enterprise don’t have the money because it’s being spent in another way.

“The point that I’m trying to make is that there is a crowding out, a competition that is occurring here that we have to be aware of, that every dollar spent that doesn’t need to be spent is costing free enterprise and growth in this economy.

“Well, if we’re going to spend \$5 trillion, what’s the likely source? Let’s look at who holds some of it now. Currently, 24% of our national debt is held by foreigners. China has \$740 billion of it. Japan has \$635 billion. Twenty percent of government sponsored enterprises, e.g. Fannie Mae and Freddie Mac, is held by foreign governments. Twenty percent of our corporate debt is held by foreign entities. So, we’re relying, to a large extent, on our foreign friends for the ability to grow our economy and to come out of this recession. Currently, foreigners purchase roughly 50% of U.S. debt.

“So if you want to take the \$5 trillion and ask if 50% continues to be bought by the foreign entities that currently own our debt, the amount bought by foreigners will have to double in the next five years. Will our friends be able to do



it? There are a few issues here.

“Their economies are in a recession as well. So, the chances of their current accounts growing as rapidly as they did in the past 10 years is pretty small. So, the likelihood of continuing to buy all that debt might be a question. They have different priorities. China has huge environmental problems. They have infrastructure needs. They just put \$578 billion into infrastructure for their own country.

“Japan has issues. You have Algeria and the petroleum countries all trying to redesign, redevelop their economies because they know that they have reserves that are running out. I talked to the Secretary of OPEC. They made it very clear. ‘We have 20 years to redesign our economies. So, we have to take the profits from our oil sales and reinvest it into our economies. Algeria is creating an agricultural society that can sustain itself. Dubai wants to be a financial center for the world. Saudi Arabia is spending huge sums of money to create an MIT for itself. They want an educated populace that can be the innovators of the world. All that is money that is competing for the money we will be asking them to give to us.

“But, there is one thing in our favor. What’s mutually beneficial to everybody? It’s mutually beneficial that we survive and survive big time. We not only have to survive, we have to thrive. They get our dollars to build in the middle east when we do well. So, we have some huge advantages going for us. They want to make certain that we have a chance of doing well because they, in turn, can also do well so they’re going to cooperate. But, there’s another little problem. They know that if they give us dollars, they’re going to get 75 cents back...or less. Because, right now, we’re forecasting in the next five to seven years, we’re going to see a 15-30% decrease in the value of the US dollar. The net result being that we have ourselves in a situation where there might be some forced cooperation. But, more so than ever before, we are dependent on the financial cooperation of the international environment. They’re going to start asking us some tough questions that we may be a tad bit indignant in answering because we’ve never had to answer them before.

“We saved the world in WWII, didn’t we? And we shared our wealth after WWII. But, it may be that the world will start asking questions about our own economy, such as ‘What are you going to do to control your deficit? How are you using this money to make your economy stronger? What are you doing to sustain your economy?’ The bottom line for us is that they’re going to have to have confidence in what we’re doing and how we’re using money and what our plans are with regard to the rest of the world.

Earl’s final graphic was a line chart comparing cumulative size of our GDP at growth rates of 1.5% and 3% per annum. He showed us the chart to give us something to think about and to reflect upon to the extent that we might talk to our congressmen/women and to use it as one of the criteria for building budgets.

“We’ve had a 3% GDP growth, on average, since WWII. One of the outstanding growth rates of the world. Europeans have had a GDP growth rate of about 1.5% during the same time period. They have a different style of living, different beliefs as to government systems, more centralized as you are aware.

“With a 3% vs 1.5% growth in the economy, between now and 2030, the aggregate difference ends up being \$72 trillion. Extended to 2050, the aggregate difference is \$354 trillion. The U.S. budget is typically 20-23% of GDP. If you take 20% of \$354 trillion, that’s \$70 trillion. Does that ring true to you in any big issue we have in front of us at the present time? Like how do we fund Medicare? How do we fund Social Security? How do we fund some of the entitlement programs being discussed at the present time?

“All I’m saying to you is that, ‘Folks, we have to grow this economy and we have to have things in place that allow us to grow our economy with the deficit, without the deficit, at 3% or more. If we grow our economy at 3% or more, the issue with regard to our current deficit is really kind of a non-issue. At 3% of GDP, we will grow ourselves in a way that we can handle things that allow us to take on the social programs that folks would like to have. Then we can have a great debate as to whether we have health care that’s broad or narrow or whatever it might be. The key to being able to handle our future and to be certain we have the financial resources to handle our future, is we must grow the economy at 3% GDP or higher.

“So, when you see a dollar for an Austin Frisbee Park, and that doesn’t contribute to the overall growth of the economy, or when we see a dollar for a statue that has no economic benefit, that’s a dollar being taken away from our ability to create the kind of economic future that we’ve enjoyed and that we can pass on to our children.

“To finish, I’d like to leave you with a quote that I found rather appropriate:

We can only turn the page from recession to recovery if we watch every single tax payer dollar the way families watch every dollar in their budget.

— Senator Harry Reid, Senate Chamber, April 2009

“I think he’s got it right. We must make certain that every dollar is used wisely and contributes to the growth of this economy. If we do, I think the deficit we’re talking about, and its impact, will be something that we can say, ‘Hey. We resolved it, we resolved it well and we made certain we spent the resources of this country wisely for the future.’ Thank you.”

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